

## Statement of Purpose, Issues, and Criteria for Analysis

### Purpose

The purpose of the Commission's investigation of telecommunications utility price regulation pursuant to Wis. Stat. § 196.196(1)(g) will include the following:

- A. Analysis of the effectiveness of price regulation for Ameritech Wisconsin and GTE Wisconsin.
- B. Determination of whether or not one or more of the provisions of Wis. Stat. § 196.196(1) should be suspended as it applies to Ameritech Wisconsin and/or GTE Wisconsin, or whether the Commission should approve an alternative regulatory method for one or both companies.
- C. Determination of whether any modifications are necessary to Wis. Admin. Code ch. PSC 163.

### Issues

The Commission's investigation into price regulation shall include the following general issue areas as identified by staff. For each general issue, staff has identified specific issues as well as criteria for analysis.

- A. Has price regulation of Ameritech Wisconsin and/or GTE Wisconsin been effective during the initial five years?

#### 1. Specific Issues:

- a. Has investment in telecommunications infrastructure improvements in this state met the requirements of Wis. Stat. § 196.196(5)? Have the price-regulated companies adequately maintained their infrastructure? Have they adequately met customer demand for advanced technology?

- b. How has service quality been impacted by price regulation? If service quality has deteriorated under price regulation, have the companies at least maintained adequate quality of service consistent with Wis. Admin. Code § PSC 163.04(2)(c)2 and ch. PSC 165?

- c. How have competition, economic development, consumer choice, quality of life, societal goals, and universal service changed during the period in which price regulation has been in effect?

- d. What have the financial results been within the meaning of Wis. Admin. Code § PSC 163.06(2) during price regulation?

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- e. What has been the extent of and process for customer input under price regulation?
- f. What new advanced services have been offered under price regulation and to what extent have customers subscribed to these services? Have the offering of these services adequately met customer demand?
- g. What has been the impact on customers during price regulation?

## 2. Criteria for Analysis:

- a. For the classifications of services under Wis. Stat. §§ 196.196(1), (2), and (3),
    - i. New services introduced.
    - ii. Types of filings made.
    - iii. Changes in rates and/or rate restructuring.
  - b. Level and types of investment in telecommunications infrastructure improvements in this state including:
    - i. Level of investment in technological or infrastructure enhancements.
    - ii. Extent to which investments made new telecommunications technology available to customers or expanded the availability of current technology.
    - iii. Deployment of fiber-optic facilities or broad-band capabilities to schools, libraries, technical colleges, hospitals and colleges and universities in this state.
    - iv. Total level of investment.
    - v. Level of contributions to the Wisconsin advanced telecommunications foundation pursuant to Wis. Stat. § 14.28.
  - c. Report to the joint committee on information policy describing the status of investments in advanced telecommunications infrastructure in this state [Wis. Stat. § 196.196(5)(f)].
  - d. Quality of service compared to price regulation service quality components [Wis. Admin. Code § PSC 163.04(2)(c)2], and Wis. Admin. Code ch. PSC 165, prior performance, and other companies.
  - e. Wis. Stat. § 196.03(6) factors.
  - f. Customer satisfaction.
  - g. Responsiveness to rural development and technology concerns such as toll, 911, and SS7 physical route diversity, and demand for new services such as local Internet access.
  - h. Extent schools, libraries, and hospitals are utilizing infrastructure investments.
  - i. Extent and effectiveness of customer assistance programs.
  - j. Wis. Admin. Code § PSC 163.06(1) report on how competition, economic development, consumer choice, quality of life, societal goals, and universal service have changed during the period in which price regulation has been in effect.
  - k. Wis. Admin. Code § PSC 163.06(2) report on financial results in summary form, showing revenues, expenses, net investment rate base, capital structure, and rate of return on utility common equity.
  - l. Extent of and process for customer input associated with price regulation issues.
  - m. Compliance with Federal Act.
  - n. Changes in organizational structure under price regulation.
  - o. Introduction of new advanced services.
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B. Why, if at all, should the incentive and penalty mechanism for infrastructure and/or service quality be enhanced, eliminated, or otherwise adjusted?

1. Specific Issues:

a. Why are incentives and/or penalties needed for investment in telecommunications infrastructure improvements in this state? If needed, how should the incentives and/or penalties be structured?

b. Why are penalties needed for inadequate service? If needed, how should the penalties be structured?

2. Criteria for Analysis:

a. Level and types of investment in telecommunications infrastructure improvements in this state including:

- i. Level of investment in technological or infrastructure enhancements.
- ii. Extent to which investments made new telecommunications technology available to customers or expanded the availability of current technology.
- iii. Deployment of fiber-optic facilities or broad-band capabilities to schools, libraries, technical colleges, hospitals and colleges and universities in this state.
- iv. Total level of investment.

v. Level of contributions to the WATF pursuant to Wis. Stat. § 14.28.

b. Report to the joint committee on information policy describing the status of investments in advanced telecommunications infrastructure in this state [Wis. Stat. § 196.196(5)(f)].

c. Quality of service compared to price regulation service quality components [Wis. Admin. Code § PSC 163.04(2)(c)2], and Wis. Admin. Code ch. PSC 165, prior performance, and other companies.

d. Wis. Stat. § 196.03(6) factors.

C. Why, if at all, should any other provisions of Wis. Stat. § 196.196(1), be suspended?

1. Specific Issues:

a. What method should be used for making changes to current price regulation: law changes; rule changes; alternative regulation plan; other?

b. If provisions are suspended, what goals are to be achieved?

c. How will the decision to suspend help achieve the identified goals?

d. What criteria will be used to evaluate success of the change?

e. Is the affected telecommunications utility adequately serving geographical areas with diverse income or racial populations?

f. Are the changes in compliance with the Federal Act?

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## 2. Criteria for Analysis:

- a. Wis. Stat. § 196.03(6) factors
- b. Compliance with Federal Act

D. Why, if at all, should an alternative regulatory method be approved for Ameritech Wisconsin and/or GTE Wisconsin?

### 1. Specific Issues:

- a. What method should be used for making changes to current price regulation: law changes; rule changes; alternative regulation plan; other?
- b. If an alternative regulatory method is approved, what goals are to be achieved?
- c. How will the decision to approve an alternative regulatory method help achieve the identified goals?
- d. What criteria will be used to evaluate success of the change?
- e. Is the affected telecommunications utility adequately serving geographical areas with diverse income or racial populations?
- f. Are the changes in compliance with the Federal Act?
- g. Why is it in the public interest to approve Ameritech Wisconsin's request for an incentive regulation plan only related to depreciation under Wis. Stat. § 196.195(12), as filed in docket 6720-TI-130?
- h. Why is it in the public interest to approve an alternative regulatory method consistent with Wis. Stat. § 196.195(12), and continue the company under price regulation?
- i. If an alternative regulatory method is approved, what should such a plan include and should it be consistent with the requirements of Wis. Stat. § 196.195(12)?

## 2. Criteria for Analysis:

- a. Wis. Stat. § 196.03(6) factors.
- b. Comments filed in docket 6720-TI-130?
- c. Requirements of Wis. Stat. § 196.195(12).
- d. Compliance with Federal Act.

E. Why, if at all, should any provisions of Wis. Admin. Code ch. PSC 163 be enhanced, eliminated, or otherwise modified?

### 1. Specific Issues:

- a. What method should be used for making changes to current price regulation: law changes; rule changes; alternative regulation plan; other?
  - b. Are the changes in compliance with the Federal Act?
  - c. What changes are necessary to the mechanics of price regulation pursuant to Wis. Admin. Code § PSC 163.04?
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d. Should the reporting provisions of Wis. Admin. Code § PSC 163.06(2) be enhanced, eliminated, or otherwise modified?

2. Criteria for Analysis:

- a. Wis. Stat. § 196.03(6) factors.
- b. Customer satisfaction.
- c. Process described in Wis. Admin. Code § PSC 163.04.
- d. Responsiveness to rural development and technology concerns such as toll, 911, and SS7 physical route diversity, and demand for new services such as local Internet access.
- e. Extent schools, libraries, and hospitals are utilizing infrastructure investments.
- f. Impact on customer assistance programs administered by price-regulated companies.
- g. Wis. Admin. Code § PSC 163.06(2) financial results in summary form, showing revenues, expenses, net investment rate base, capital structure, and rate of return on utility common equity.
- h. Compliance with Federal Act.
- i. Use of formulas set forth in Wis. Admin. Code §§ PSC 163.04(3), (4), (5), (6), and (7).
- j. Discretionary penalties or incentives pursuant to Wis. Admin. Code § PSC 163.04(2)(f).

F. Why, if at all, should any other statutory requirements be waived or imposed on a price-regulated company?

1. Specific Issues:

- a. Should this be accomplished through an alternative regulatory method, a filing under Wis. Stat. § 196.195(12), or further partial deregulation under Wis. Stat. § 196.195 other than incentive regulation?
- b. What accounting standards or reporting requirements are needed under price regulation?
- c. What other statutory requirements, if any, should be imposed?
- d. See specific issues under general issue area “C.”

2. Criteria for Analysis:

- a. Wis. Stat. § 196.03(6) factors.
  - b. Compliance with Federal Act.
  - c. Affiliated relationships and transactions.
  - d. Organizational structure.
  - e. Current accounting and reporting requirements.
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